

Message Text

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70

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 SPC-03 STR-08

TRSE-00 LAB-06 SIL-01 OMB-01 DODE-00 PM-07 H-03 L-03

NSC-10 PA-03 PRS-01 SS-15 USIA-15 ACDA-19 IO-13 OIC-04

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INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

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E.O. 11652: N/A

TAGS: PGOV, EEC

SUBJECT: SEPTEMBER 21 EC COUNCIL MEETING (BUDGET)

1. SUMMARY: THE EC COUNCIL MET IN BRUSSELS ON SEPTEMBER 21 FOR A MEETING DEVOTED TO BUDGETARY MATTERS. THE COUNCIL APPROVED THREE SUPPLEMENTARY BUDGETS FOR 1973 AND BEGAN ITS CONSIDERATION OF THE BUDGET FOR THE EUROPEAN COMMUNITIES FOR 1974. END SUMMARY.

2. THE FIRST TWO OF THE SUPPLEMENTARY BUDGETS, WHICH DEALT WITH BUDGETARY CHANGES CAUSED BY THE NON- ACCESSION OF NORWAY AND REVISIONS IN THE EURATOM RESEARCH PROGRAM, WERE DECLARED APPROVED BECAUSE THEY WERE RETURNED FROM THE EUROPEAN PARLIAMENT WITHOUT UNCLASSIFIED

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COMMENT. THE THIRD SUPPLEMENTARY BUDGET DEALT WITH ADDITIONAL

EXPENDITURES FOR THE COMMON AGRICULTURAL POLICY (CAP). THE EUROPEAN PARLIAMENT HAD REDUCED IT BY APPROXIMATELY 50 MILLION UNITS OF ACCOUNT (UA, 1 UA ; DOLS 1.21) TO SHOW ITS DISAPPROVAL OF THE SALE OF SURPLUS BUTTER TO THE SOVIET UNION LAST SPRING; HOWEVER, THE COUNCIL REVERSED THE PARLIAMENT'S ACTION AND VOTED UNANIMOUSLY TO ACCEPT THE CAP SUPPLEMENTARY BUDGET AS ORIGINALLY SUBMITTED BY THE COMMISSION.

3. THE COUNCIL THEN TURNED TO ITS FIRST CONSIDERATION OF THE 1974 EC BUDGET. THE COMMISSION HAS PROPOSED A BUDGET FOR 1974 WHICH, AFTER SOME INITIAL CHANGES, NOW STANDS AT APPROXIMATELY 5 BILLION UA. THIS IS SOME 12.5-0/0 HIGHER THAN 1973; THE CAP PORTION OF THE BUDGET IS PROPORTIONATELY LOWER THAN IN PREVIOUS YEARS, ALTHOUGH CAP EXPENDITURES ARE STILL BY FAR THE LARGEST. AS EXPECTED, THE BUDGETARY ITEMS WHICH CAUSED THE MOST DIFFICULTY FOR THE COUNCIL WERE THE SOCIAL FUND AND THE PROPOSED REGIONAL FUND.

4. DISCUSSIONS ON THE SOCIAL FUND INVOLVED BOTH THE 1973 AND THE 1974 BUDGETS. THE 1973 EXPENDITURES HAD ORIGINALLY BEEN SET AT 180 MILLION UA; THE COMMISSION HAS NOW SUGGESTED (AND THE PARLIAMENT CONCURRED) THAT THIS AMOUNT SHOULD BE RAISED TO 300 MILLION. THE COMMISSION HAS PROPOSED 410 MILLION UA FOR THE 1974 SOCIAL FUND. THE COUNCIL COULD NOT AGREE WITH EITHER OF THESE PROPOSALS AND A COMPROMISE WAS FINALLY REACHED IN WHICH THE FIGURE FOR 1973 WOULD BE 225 MILLION AND FOR 1974 THE EXPENDITURES WOULD BE 270 MILLION UA. THE UK WAS THE MEMBER STATE MOST INTERESTED IN AN INCREASE OF THE SOCIAL FUND, AND A BRITISH SPOKESMAN SAID THAT THE UK COULD POINT TO THE INCREASE WITH SATISFACTION, ALTHOUGH IT IS LESS THAN DESIRED. COMMENT: THE EASE WITH WHICH THE BRITISH GAVE IN TO A RATHER MODEST INCREASE IN THE SOCIAL FUND LED SOME OBSERVERS TO BELIEVE THAT "THE FIX IS IN" TO SATISFY BRITISH DESIRES ON THE REGIONAL FUND, SINCE IT IS MOST UNLIKELY THAT THE HEATH GOVERNMENT IS WILLING TO BE DISAPPOINTED ON BOTH COUNTS. END COMMENT.

5. DISCUSSION OF A FUND TO FINANCE THE COMMUNITY REGIONAL POLICY, WHICH, ACCORDING TO THE 1972 OCTOBER SUMMIT COMMUNIQUE, SHOULD BEGIN OPERATION IN 1974, TOOK UP THE REST OF THE DAY. THE COMMISSION HAS PROPOSED A 1974 REGIONAL FUND OF 500 MILLION UA.

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THE QUESTION OF WHETHER OR NOT IT IS PROPER TO FUND A POLICY THAT HAS YET TO BE FORMALLY ESTABLISHED WAS RESOLVED BY LISTING THE REGIONAL FUND AS A "LINE ITEM" IN THE BUDGET, BUT LEAVING THE FIGURE BLANK TO BE FILLED IN AFTER THE POLICY IS FORMALLY AGREED ON. THIS WILL BE DONE BY MEANS OF A SUPPLEMENTARY BUDGET. THUS, THE REALLY HARD QUESTIONS OF HOW BIG THE REGIONAL FUND PIE WILL BE AND HOW IT WILL BE SLICED, QUESTIONS WITH AN IMPORTANT POLITICAL DIMENSION, HAVE BEEN PUT OFF UNTIL LATER IN THE FALL.

6. THE DRAFT BUDGET NOW GOES TO THE EUROPEAN PARLIAMENT FOR ITS
CONSIDERATION AND IS EXPECTED TO BE CONSIDERED AGAIN BY THE
COUNCIL AT A LATER DATE.
GREENWALD

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